

**MISCELLANEOUS TARIFF BILL: PROVIDING
TARIFF RELIEF TO U.S. MANUFACTURERS
THROUGH THE NEW MTB PROCESS**

HEARING
BEFORE THE
SUBCOMMITTEE ON TRADE
OF THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED FIFTEENTH CONGRESS
FIRST SESSION

OCTOBER 25, 2017

Serial No. 115–TR03

Printed for the use of the Committee on Ways and Means



U.S. GOVERNMENT PUBLISHING OFFICE

33–657

WASHINGTON : 2019

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**MISCELLANEOUS TARIFF BILL: PROVIDING
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THROUGH THE NEW MTB PROCESS**

WEDNESDAY, OCTOBER 25, 2017

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Washington, DC.

The Subcommittee met, pursuant to call, at 2:17 p.m., in Room 1100, Longworth House Office Building, Hon. David G. Reichert [Chairman of the Subcommittee] presiding.
[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE
Wednesday, October 25, 2017
TR-03

CONTACT: (202) 225-1721

Chairman Reichert Announces Hearing on the Miscellaneous Tariff Bill: Providing Tariff Relief to U.S. Manufacturers Through the New MTB Process

House Ways and Means Trade Subcommittee Chairman David G. Reichert (R-WA), announced today that the Subcommittee will hold a hearing entitled “Miscellaneous Tariff Bill: Providing Tariff Relief to U.S. Manufacturers Through the New MTB Process.” The hearing will focus on the potential economic benefits to U.S. manufacturers and consumers of providing temporary tariff relief through the new MTB process on imported products not produced in the United States. The Committee is preparing legislation to implement recommendations made by the U.S. International Trade Commission (ITC) in its final report. **The hearing will take place on Wednesday, October 25, 2017 in room 1100 of the Longworth House Office Building, beginning at 2:00 p.m.**

The ITC’s final report, submitted to Congress consistent with the new MTB process established by the *American Manufacturing Competitiveness Act of 2016*, is publicly available and can be accessed here: <https://mtbps.usitc.gov/external/>. The Act provides that the legislation to be considered by Congress may not include any provision unless it was the subject of a petition submitted to the ITC and was deemed by the ITC to meet the MTB tests established in the Act, including that there is no domestic producer of a like product who objects to the provision.

In view of the limited time to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select “Hearings.” Select the hearing for which you would like to make a submission, and click on the link entitled, “*Click here to provide a submission for the record.*” Once you have followed the on-line instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Wednesday, November 8, 2017**. For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TDD/TTY in advance of the event (four business days' notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available at
<http://www.waysandmeans.house.gov/>

Chairman REICHERT. The hearing will come to order. Good afternoon. The Subcommittee will come to order. Welcome to the Ways and Means Subcommittee hearing on the Miscellaneous Tariff Bill.

Before hearing from our witnesses, I would like to make a few comments. For decades, Congress has considered bipartisan legislation to temporarily suspend or reduce tariffs on certain imported products not made in the United States through legislation that has become known as the Miscellaneous Tariff Bill, or MTB. The MTB is designed to boost the competitiveness of American manufacturers by lowering the cost of imported inputs and, in some cases, finished goods without harming domestic firms that produce competing products.

Many companies in my home State of Washington have relied on the MTB, and I know that many of my colleagues have similar stories from their home districts. Our manufacturers have used the savings from past MTBs to strengthen their competitive edge, support the creation of domestic manufacturing jobs, increase U.S. production, and contribute to the economic growth of the United States.

But the last MTB expired in 2012, and left American manufacturers without a process to help them cut costs. This undermined the ability of our manufacturers to provide more domestic jobs and damaged their global competitiveness. Last year, Congress took action and passed overwhelmingly bipartisan legislation to create a new and transparent process for providing tariff relief to U.S. businesses and companies.

Under the new MTB process, companies petition the independent, nonpartisan International Trade Commission, not individual Members of Congress, for tariff relief. The new process is open and transparent and establishes an opportunity for public comment. It provides predictability for our businesses while also complying with the House rules.

The ITC kicked off the new MTB process last October, launching a new public accessible portal for the filing of petitions and public

documents and comments. This August, after lengthy analysis, the ITC provided its final recommendations to Congress on more than 2,500 petitions. Of those, the ITC has recommended that more than 1,800 of these petitions be included in the MTB legislation. I commend the ITC for its tremendous effort and dedication in successfully bringing the new MTB process to life; and I thank the Commerce Department and Customs and Border Protection as well for its work.

Now, Congress must act to consider an MTB and deliver long-awaited tariff relief to our manufacturers. The Committee is doing its part by reviewing the ITC's final report and preparing legislation to implement ITC's recommendations.

So I am eager to move forward and hear from our witnesses today about how tariff relief, provided through the new process, will benefit their businesses, make them more competitive, create jobs, and grow our economy.

I now yield to Mr. Pascrell for his opening statement.

Mr. PASCRELL. Thank you to our witnesses here today. Welcome. And I want to say thank you to my friend, Chairman Reichert, for calling this hearing.

In my home State of New Jersey, a diverse array of different companies will be in a better position to compete as a result of this legislation. We have ICF Mercantile in Fort Lee, New Jersey, which will obtain duty relief on high-tenacity rayon yarn, an input for a material used for Naval defense systems. Unfortunately, this specialty yarn has not been produced domestically in 20 years, but that means there is no harm from removing a tariff here.

New Jersey has a robust presence of chemical companies. In fact, it is the largest industry in the State of New Jersey, employing close to 100,000 people. Several of the firms will receive tariff relief on numerous imported chemicals that I dare not try to pronounce.

And all those folks who like their anti-pasta and their Italian subs and salad or pizza with extra mild spice will be pleased to enjoy a break on the cost of pepperoncini, either packed in oil or not.

I agree with the Chairman that the miscellaneous trade bill would provide some much-needed relief to United States manufacturers and the workers across the country. These companies, as well as those represented by our witnesses here today, will receive a competitive boost, be able to use their resources in a more productive manner, whether by raising wages or investing in research and development.

One key reason that this bill stands to enjoy broad bipartisan support is the underlying analysis completed by the International Trade Commission and the Department of Commerce, to ensure that products that are currently produced in the United States are not included in the final bill. In this way, the MTB is designed to prevent domestic companies from being harmed.

I look forward to working with other Members of Congress to pass a noncontroversial MTB in the coming weeks for the first time in 7 years. Seven years is too long to go between MTBs, and blame can be placed on the Majority's short-sighted and far too blunt earmark policy.

I also want to note that what we accomplish with the MTB in terms of boosting U.S. manufacturing competitiveness is small compared to the challenges our manufacturers are facing globally. For example, China has announced an ambitious industrial policy called Made in China 2025. I think it is something we need to pay attention to. A plan to transform China into a leader in advanced manufacturing, including in key sectors like aviation, rail, new energy vehicles and agriculture machinery.

As a champion of U.S. manufacturing, I want to emphasize that we, as a country, need to be thinking big picture about our future. We, as a Committee, should be taking the lead here. Unfortunately, I don't see that we are right now.

Before closing, I would also like to say that while I am glad that we are having this hearing today, I am still disappointed that this Subcommittee has not held a hearing on NAFTA renegotiations with the Administration witnesses. The need for a public hearing is highlighted by this Administration's lacking record on transparency.

In August, I led a letter calling for the Administration to appoint a chief transparency officer, as required by the statute, but the Administration has still not done so. No one can say this is partisan, because I whacked the last Administration for a lot of the same things. I have yet to receive a response to my letter sent August 16. There were only three or four words in there that were more than two syllables. I don't understand it.

My transparency concerns go beyond process. Press reports have now suggested that NAFTA parties are negotiating on currency manipulation. The Administration has given no indication to any of us of its plans or intentions on the issue. While we are here today to discuss MTB, there are other issues with significant consequences for America's economic well-being that we need to discuss openly. I look forward to a response from the Chairman on this matter very soon.

Thank you, Mr. Chairman. I yield.

Chairman REICHERT. Thank you, Mr. Pascrell.

Today we are joined by three witnesses. The first witness is Ms. Cindy Smith, the Agricultural Relations Director for Gowan USA.

Our second witness is Mr. Ed McAssey, the Chief Operating Officer of Lasko Products LLC.

Our third witness is Michael Ratchford, the Government Relations Associate for W.L. Gore & Associates.

Before recognizing our first witness, let me note that our time is limited, so please limit your testimony to 5 minutes. Members should keep their questions to 5 minutes.

Ms. Smith, your written statement will be made a part of the record, and you are recognized for 5 minutes.

**STATEMENT OF CINDY SMITH,
AGRICULTURAL RELATIONS DIRECTOR, GOWAN USA**

Ms. SMITH. Thank you, Chairman Reichert, and Ranking Member Pascrell, and Members of the Committee, for the opportunity to come before you today to speak to you regarding the Miscellaneous Tariff Bill, or MTB, on behalf of the Gowan Company. I am Cindy Smith, the Ag Relations Director of Gowan USA. I have

worked with the Gowan companies for about 18 years in a variety of commercial and regulatory roles. And it is my honor to be able to speak with you today about Gowan, and why we believe passage of the MTB is critical for our business, for agriculture and manufacturing in the United States to remain competitive and successful.

Gowan Company is part of a group of companies headquartered in the agricultural community of Yuma, Arizona. As you might know, Yuma is the source of nearly all the lettuce grown in the United States during the winter months. So pretty soon when you start eating salad, know that lettuce is coming from our town in Yuma, Arizona.

Gowan is the only basic manufacturer and distributor of crop protection products in the United States that remains owned by a single family, the Jessen family.

The Gowan companies include:

Gowan USA, which is sales and product development and marketing of our products here in the United States; Gowan Milling, which is a state-of-the-art manufacturing facility in Yuma that formulates many crop protection products. Gowan products only make up about 10 percent of Gowan Milling's business. The vast majority of their business is toll manufacturing for other companies like BASF and DuPont.

The Dune companies, which are based in Yuma, Imperial Valley, and Salinas, California, retail operations that sell crop inputs directly to growers. So they are certified pest control advisers that actually walk fields and make recommendations to growers.

And then Gowan Seed, which is sales and product development and marketing personnel that focus primarily on vegetable seed production.

Jon Jessen started the family of companies over 55 years ago after returning from military service in Korea. The business started with Jon himself walking fields, making pest control recommendations to growers, and now has grown into several businesses that provide a variety of inputs to U.S. growers. Through our marketing companies, we develop, register, and sell crop protection products around the world.

The Gowan companies now employ more than 700 people in the United States, with a payroll that exceeds \$50 million. Approximately half of those 700 jobs are in Yuma, Arizona, at our plant. Gowan Milling itself employs 300 of the 700 jobs and has become a major employer in Yuma.

The MTB will help us be competitive and keep all these wonderful people employed and successful. Jon remains active in the business today as the Chairman of the Board; and his daughter, Juli Jessen, is the Chief Executive Officer; and other members of the family also remain very active in the business.

Gowan develops, registers, and supplies crop protection products to farmers across the United States. Our business model is to acquire, develop, and maintain those products critical to agricultural production. We invest most of our profits right back into the business to improve the existing products or to bring new ones to the market. We primarily serve specialty crop markets, so fruits, nuts, and vegetables. U.S. specialty crop growers typically do not have

access to many crop protection products that growers of large row crops benefit from.

So the specialty crop markets are smaller and, therefore, the tools that they have are critical to their success and to preserve and to be competitive. The MTB process is extremely helpful in allowing us to remain cost-competitive and provide those products to specialty crop growers.

Gowan is clearly not the largest crop protection company in the United States, but is a small, family-owned business. Access to cost-competitive materials is critical to our ability to compete and to be successful. To serve our customers, we buy active ingredients, have products manufactured by contract manufacturers in the United States, and source some of our products from outside of the United States.

To be competitive, we have developed strategic relationships with suppliers and vendors who are able to supply our needs in a timely and cost-effective manner. Because not all of the raw materials needed are produced here in the United States, we have found the MTB process is extremely helpful in reducing our overall cost and improving our global competitiveness. Gowan is very pleased that the new MTB process will regularly and predictably update the Harmonized Tariff Schedule to suspend or reduce duties on active ingredients and other products that we import because they are not available in the United States. This new process will bring enhanced certainty to our long-range planning and product development process.

For our business and that of our customers, international trade is an essential component of our livelihoods. For this reason, we have a keen interest in efforts to remove tariffs on active ingredients and other products that we import. We can't use those active ingredients as we import them. We have to do manufacturing on them to make them available to growers.

So I appreciate the opportunity to provide input to you today, and I look forward to working with you on passing this bill as quickly as possible. Thank you.

[The prepared statement of Ms. Smith follows:]

Written Testimony given by Cindy Smith
Agricultural Relations Director for Gowan

Before the House Ways and Means Trade Subcommittee
Regarding the Miscellaneous Tariff Bill
October 25, 2017

Thank you Chairman Reichert and Ranking Member Pascrell for the opportunity to come before the Committee today to speak to you regarding the Miscellaneous Tariff Bill (MTB) on behalf of the Gowan Company. I am Cindy Smith, the Agricultural Relations Director for Gowan USA. I have worked in the Gowan companies for about 18 years in a variety of roles. It is my honor to be able to speak with you today about Gowan and why we believe passage of the Miscellaneous Tariff Bill is critical for our business and for agriculture and manufacturing in the United States to remain competitive and successful.

Gowan Company is part of a group of companies headquartered in the agricultural community of Yuma, Arizona. As you might know, Yuma is the source of nearly all of the lettuce grown in the United States during the winter months. Gowan is the only basic manufacturer and distributor of crop protection products in the United States that remains owned by a single family. The Gowan companies include:

- Gowan USA – sales, product development and marketing people that sell Gowan products;
- Gowan Milling – a state of the art manufacturing facility in Yuma that formulates many crop protection products. Gowan products make up about 10% of Gowan Milling's business. The vast majority of Gowan Milling's business is toll manufacturing for other companies like BASF and DuPont;
- The Dune Companies (based in Yuma, Imperial Valley and Salinas) – retail operations that sell crop inputs to growers. They have certified pest control advisors that walk fields and make recommendations for growers;
- Gowan Seed – sales, product development and marketing personnel that focus primarily on vegetable seed.

Jon Jessen started the first of the companies over 55 years ago after returning from military service in Korea. The business started with Jon walking fields making pest control recommendations to growers and has now grown into several businesses that provide a variety of inputs to US growers (seed, fertilizer and crop protection products). Through our marketing companies, we develop, register and sell crop protection products around the world. The Gowan companies now employ more than 700 people in the United States with a payroll that exceeds \$50 million. Approximately half of the 700 jobs are in Yuma, Arizona. Gowan Milling itself employs about 300 of the 700 jobs and has become a major employer in Yuma. The MTB will help us to be competitive and keep all these wonderful people employed and successful. Jon Jessen remains active in the business as the Chairman of the Board and his daughter Juli Jessen is our Chief Executive Officer. Other family members are also active in the business.

Gowan develops, registers and supplies crop protection products, such as herbicides, fungicides, insecticides and biologicals to farmers across the United States. Our business model is to acquire, develop and maintain products critical to agricultural production. We invest most of our profits right back into the business to improve existing products or bring new ones to the market. We primarily serve specialty crop markets (fruits, nuts and vegetables). US specialty crop growers typically do not have access to as many crop protection products as growers of larger row crops like corn and soybeans. The specialty crop markets are smaller so not all crop protection companies focus on those markets. Affordable access to our products is critical for US specialty crop growers and this is where a dependable MTB process is extremely helpful in allowing us to remain cost competitive.

Gowan is clearly not the largest crop protection company in the United States but as a small, family-owned business, access to cost competitive materials is critical to our ability to compete and be successful. To serve our customers we buy active ingredients, have products manufactured by contract manufacturers in the United States, and source some of our products outside the United States. To be competitive we have developed strategic relationships with suppliers and vendors who are able to supply our needs in a timely and cost efficient manner. Because not all of the raw materials needed are produced in the United States, we have found that the Miscellaneous Tariff Bill process is extremely helpful in reducing our overall costs and improving our global competitiveness. Gowan is very pleased that the new Miscellaneous Tariff Bill process will regularly and predictably update the Harmonized Tariff Schedule to suspend or reduce duties on active ingredients and other products that we import because they are not available in the United States. This new process will bring enhanced certainty to our long-range planning and product development processes.

For our own business and for that of our customers, international trade is an essential component of our livelihoods. For this reason, we have a keen interest in the efforts to remove tariffs on active ingredients and other products that we import. The active ingredients for which we are seeking tariff relief are not used as they are imported – they cannot be – they have to undergo further manufacturing, which occurs at Gowan Milling or another contract manufacturer.

I appreciate the opportunity to provide input to the Committee today. I look forward to working closely with you and your staff as you consider the Miscellaneous Tariff Bill and to answering any questions you may have for me. Thank you.



Chairman REICHERT. Thank you. Mr. McAssey.

**STATEMENT OF EDWARD V. MCASSEY,
CHIEF OPERATING OFFICER, LASKO PRODUCTS LLC**

Mr. MCASSEY. Good afternoon. My name is Ed McAssey. I am the Chief Operating Officer of Lasko Products LLC, headquartered in West Chester, Pennsylvania. Lasko is a 111-year-old company, a privately-owned company that was owned——

Chairman REICHERT. Mr. McAssey, could you pull the microphone a little closer to you.

Mr. MCASSEY. Lasko is a 111-year-old privately held company that was owned by the Lasko family since inception. In 2016, we were sold to Comvest Partners, a private investment firm.

Lasko employs 942 people in the United States at facilities located in Pennsylvania, Tennessee, and Texas. Many of those employees have been part of the Lasko team for over a decade. I, myself, have been with the company for 33 years. We manufacture fans, heaters, humidifiers, and range hoods. Portable electric fans make up about 72 percent of our sales.

The Lasko story is a textbook example of what the United States Congress intended to provide with the Miscellaneous Tariff Bill, or MTB. Our factories in Franklin, Tennessee, and Fort Worth, Texas, manufacture the portable electric fans and employ 638 workers, roughly 68 percent of Lasko's workforce. These are the two sites that will benefit from swift passage of the MTB. We are the only manufacturer in the United States of electric pedestal and desktop fans sold to the big box retailers. Our competition is exclusively from China.

As a result of having to compete with low-cost Chinese manufacturers, our operating margins are razor thin. In order for our business to be viable against low-cost portable fans imported from China, we have invested heavily in automation for assembly, welding, and painting machinery. On any given day, we operate over 60 injection molding machines, most of which were manufactured in the United States.

Despite stiff competition from China, we are committed to maintaining our United States manufacturing facilities. In the past 3 years, we have invested \$7.4 million in plants, property, and equipment in Franklin, Tennessee, and Fort Worth, Texas.

We make the injection molded parts in our fans with plastic resin from the United States. Much of the steel we use to manufacture our products is produced in the United States. We use cardboard made in the United States. I point this out to show the multiplying effect from our operations that benefit our suppliers as well. There would be a substantial negative effect on our suppliers if the MTB was to fail to pass.

We are in a business of pennies. We can lose a sale to overseas competitors for a cost difference of 20 to 30 cents. The duty relief provided by the MTB on motor assemblies and related parts enables us to compete with suppliers in China who do not incur the costs of livable wages, health insurance, and retirement contributions that we provide our employees. Our average wage rate is over \$16. Unfortunately, the 638 jobs that would benefit from the MTB are down 4 percent compared to this time last year. We have low-

ered our price to try to compete with the volume to protect our employees' jobs.

The swift passage of the MTB is very important to Lasko and our workers. Our business benefits our steel, paint, and packaging suppliers. The tariff savings from the MTB in 2018 would be an estimated \$1.5 million, and \$4.8 million over a 3-year term. These savings will not only allow us to maintain our workforce, but to continue to source other parts from American suppliers.

As you can see, the MTB is very important to American business as a whole. Passage of the bill would make Lasko and other manufacturers in the United States more competitive with low-cost manufacturing around the globe. That is why we are working with the National Association of Manufacturers and broader business community to explain the importance of this legislation for our workers.

In the last year, there was a bipartisan showing which created the new process. While the process is not perfect, we look forward to working with all the stakeholders to suggest refinements and make the process work better in the future. Thank you.

[The prepared statement of Mr. McAssey follows:]

Statement of Ed McAssey Before the House Ways and Means Sub-Committee on Trade

Good afternoon, my name is Ed McAssey. I am the Chief Operating Officer of Lasko Products LLC headquartered in West Chester, PA. Lasko is a 111 year old privately owned Company that was until last year owned by the Lasko family since inception. In 2016 we were sold to Comvest Partners, a private investment firm.

Lasko employs 942 people in the United States at facilities located in Pennsylvania, Tennessee, and Texas. Many of those employees have been a part of the Lasko team for over a decade. I myself have been with the company for 33 years. We manufacture fans, heaters, humidifiers, and range hoods. Portable electric fans make up 72% of our sales.

The Lasko story is a textbook example of what the United States Congress intended to provide with the Miscellaneous Tariff Bill, or MTB. Our factories in Franklin, Tennessee and Fort Worth, Texas manufacture the portable electric fans and employ 638 workers, roughly 68% of Lasko's workforce. These are the two sites that will benefit from the swift passage of the MTB. We are the only manufacturer in the United States of electric pedestal and desktop fans sold in big box retailers. Our competition is exclusively from China.

As a result of having to compete with low-cost Chinese manufacturers, our operating margins are razor thin. In order for our business to be viable against low-cost portable fans imported from China, we have invested heavily in automation for assembly, welding, and painting machinery. On any given day we are operating at least 60 injection molding machines, most of which were also manufactured in the United States. Despite the stiff competition from China, we are committed to maintaining our United States manufacturing facilities. In the past three years we have invested \$7.4 million in plants, property and equipment in our Franklin and Fort Worth facilities.

We make the injection molded parts in our fans with plastic resin made in the United States. Much of the steel we use to manufacture our products is produced in the United States. We pack our finished products in cardboard boxes made in the United States. I point this out to emphasize the multiplying effect from our operations that benefits our suppliers. There would be a substantial negative effect on our suppliers if the MTB were to fail to pass.

We are in a business of pennies and can sometimes lose a fan sale to overseas competitors due to a cost differential of 20 to 30 cents. The duty relief provided by the MTB on motor assemblies and related parts enables us to compete with suppliers in China who do not incur the costs of livable wages, health insurance, and retirement contributions that we provide to our employees. Our average wage rate is over \$16. Unfortunately, the 638 jobs at the plants that would benefit from the MTB are down by 4% compared to this time last year. We have lowered the price of our products as much as possible in an effort to generate enough sales volume to protect our employees' jobs.

The swift passage of the MTB is very important to Lasko and our workers. Our business benefits our plastic, steel, paint and packaging suppliers. There are also businesses that provide us with parts and supplies for the relevant factories. The tariff savings from the MTB in 2018 would be an estimated \$1.5 million, and \$4.8 million over the three-year term of the bill. These savings would not only allow us to maintain our workforce, but also to continue to source our other parts from American suppliers.

As you can see, the MTB is very important to American business as a whole. Passage of the bill would make Lasko and other manufacturers in the United States more competitive with low-cost manufacturing around the globe. That is why we are working with the National Association of Manufacturers and the broader business community to explain the importance of this legislation for workers in Franklin, Fort Worth, and around the United States.

Last year in strong bipartisan showing, Congress passed legislation that created a new process for the consideration of the MTB. While the process has not been perfect, we look forward to working with all stakeholders to suggest refinements to ensure that the process can work even better in the future.

I urge you to once again reach across party lines and pass the MTB as soon as possible, as it will provide tariff relief to domestic manufacturers who are committed to maintaining their facilities in this country and providing much needed jobs to the American people. Thank you.



Chairman REICHERT. Thank you.
Mr. Ratchford.

**STATEMENT OF MICHAEL RATCHFORD, GOVERNMENT
RELATIONS ASSOCIATE, W.L. GORE & ASSOCIATES**

Mr. RATCHFORD. Good afternoon, Mr. Chairman, Ranking Member Pascrell, Members of the Committee. Thank you for giving me the opportunity to speak with you this afternoon on this important topic for American manufacturers.

My name is Michael Ratchford. I am the Government Relations Associate for W.L. Gore & Associates. Founded in 1958 in the basement of Bill and Vieve Gore's house in Newark, Delaware, Gore is a privately-held American manufacturer. Today, Gore has approximately 9,000 associates globally, with 6,000 of my colleagues here in the United States. Our plants are located in Delaware, Maryland, Arizona, Pennsylvania, California, and Montana.

Gore has more than 2,000 patents worldwide on electronics, military and consumer apparel, medical devices, and polymer processing. We are also recognized for our unique culture. We are consistently listed on *Fortune Magazine's* best places to work.

We are a strong supporter of the MTB process, and we have utilized the process since 2006. We appreciate the renewal of this important program. The new process builds on decades of work by Congress, and creates a more transparent, objective, and predictable process. The new process is rigorous, is rightly focused on ensuring that current and imminent U.S. manufacturing is not harmed. The new MTB process is significantly more transparent. Stakeholders have ample opportunities to become involved in the process. The number of petitions submitted alone demonstrates the demand for this type of duty relief. Of the 1,800 total petitions recommended for inclusion, they will save approximately \$350 million in duties in 2018 and over \$1 billion over the next 3 years.

On Gore's part, we submitted 46 petitions. We are pleased that 22 were recommended for inclusion. In submitting our petitions, we worked with a number of trade associations, communicated with trade associations of which we are a member, including the National Association of Manufacturers; the Outdoor Industry Association, where I used to serve as Chair of the Trade Advisory Council; American Apparel and Footwear Association; National Council of Textile Organizations; Footwear Distributors and Retailers Association; and AdvaMed, which represents the U.S. medical device industry.

MTBs are extremely important to the members of all these organizations. Virtually all of Gore's thousands of products are based on one material: A versatile polymer called expanded polytetrafluoroethylene, or ePTFE. This material is best known in apparel and footwear as our signature product, GORE-TEX. It also, though, has broad applications in the medical field. Our medical products include synthetic vascular grafts, meshes, and sutures for vascular, cardiac, and general surgical procedures. Over the past 40 years, more than 40 million Gore medical devices have been implanted, improving patient outcomes worldwide. We create high-value products through our design, research and development, process engi-

neering, testing, patenting, and market research, all conducted here in the United States.

When in effect, the MTB alleviates duties that act as barriers. The savings on these duties translate into various benefits for Gore, our customers, and end users. For our medical products, we can invest in our ongoing U.S.-based research and development for our technically advanced products. For high-performance outdoor footwear, which face duties as high as 37½ percent, we have observed that MTB allows our customers to add our technology more broadly at better price-points. For our North American companies, a majority of membranes and films for these footwear products originate in the United States. This means the highest value portion of the manufacturing remains American.

In sum, I believe the new MTB process is meeting the goals of the American Manufacturing Competitiveness Act of 2016, and the petitions have been carefully and thoughtfully vetted to ensure there is no domestic availability of goods. Suspending duties on specific goods enhances American manufacturing competitiveness and helps to eliminate artificial economic distortions that negatively impact American manufacturers and consumers. The new process has been rigorous, open, and transparent, and should build confidence that it has been fair, open, and free from abuse.

Mr. Chairman, thank you for the opportunity to appear here today. I look forward to answering any questions.

[The prepared statement of Mr. Ratchford follows.]



Testimony of Michael Ratchford
Government Relations Associate
W.L. Gore & Associates

U.S. House of Representatives
House Ways & Means Committee
Subcommittee on Trade

October 25, 2017

Good morning. Thank you for giving me the opportunity to testify before you today on this critically important topic for American manufacturers. My name is Michael Ratchford, and I am the Government Relations Associate for W.L. Gore and Associates.

Founded in 1958, W. L. Gore & Associates, Inc. is a privately-held company headquartered in Newark, Delaware. From our humble beginnings in the basement of Bill and Vieve Gore's house, Gore today has approximately 9,500 Associates inventing, making, marketing and selling innovative, technologically-advanced products; 6,000 of our Associates are employed here in the United States. Gore has been granted more than 2,000 patents worldwide in a wide range of industries, including electronics, military and consumer apparel markets, medical devices, and polymer processing. We are a strong supporter of the Miscellaneous Tariff Bill (or MTB) process. Gore has benefited from the MTB process beginning in 2006 with the inclusion of petitions for outdoor footwear that include a laminated textile that imparts protection against water while simultaneously permitting breathability.

Upon creation of the new process in the American Manufacturing Competitiveness Act (AMCA), Gore submitted petitions that will allow us to obtain critical duty savings for our own imports on products that don't have domestic competition concerns, and we actively supported petitions submitted by our customers. Specifically, we have pending petitions for inputs for gasketing materials, components used in a special coating for implantable medical devices, hunting accessories, and outdoor footwear that protects the wearer against the elements, some of which contain a waterproof breathable sole. We strongly support passage of an MTB bill by Congress as quickly as possible.

Gore appreciates the renewal of this important program; the MTB process creates an avenue for substantial duty savings. We believe the new rigorous process is rightly focused on ensuring that current and imminent U.S. manufacturing is not harmed.

The AMCA creates an open process where stakeholders and the public can monitor filed petitions, comment, and better understand how petitions are evaluated. The new MTB process is significantly more transparent than previous iterations and ensures that stakeholders have ample

opportunity to be actively involved during the vetting process, before being considered by Congress.

The new process builds on decades of work by Congress and successive administrations to create a more transparent, objective, and predictable process for Congress to consider and enact the MTB. The duties that are eliminated undermine the competitiveness of manufacturers in the United States by imposing unnecessary costs.

The number of petitions submitted demonstrates the demand for this type of duty relief. The 1,800 petitions to remove tariffs on imports included in a final report sent to Congress in August would eliminate tariffs of more than \$350 million in 2018, and more than \$1 billion over the next three years, if Congress acts to pass the MTB by the end of this year. Gore submitted 46 petitions to the International Trade Commission (ITC) as part of this new process. We were pleased that 22 of those were recommended for duty reduction or elimination. As with any new process, we believe there is some room for improvement. We would appreciate an opportunity in the future to have a dialogue with the Committee and relevant agencies on how the process could be improved. We greatly appreciate the efforts of the ITC, the Department of Commerce, and U.S. Customs and Border Protection (CBP) in participating in this new process.

As an innovative American manufacturer, we are a member of the National Association of Manufacturers (NAM). Gore also plays a leading role in Outdoor Industry Association (OIA), where I am the chairman of the Trade Advisory Committee, which focuses on pursuing a balanced trade agenda and creating a level-playing field. In addition, we are members of the American Apparel and Footwear Association (AAFA), the National Council of Textile Organizations (NCTO), and the Footwear Distributors and Retailers of America (FDRA).

As a medical device manufacturer, Gore is also a member of Advanced Medical Technology Association (AdvaMed), which represents the U.S. medical device industry. MTBs are extremely important to the members of all these associations.

Virtually all of Gore's thousands of products are based on just one material, a versatile polymer called ePTFE (expanded polytetrafluoroethylene), which we engineer to perform a wide variety of functions. Consumers know us best for ePTFE's inclusion in apparel and footwear products, under the GORE-TEX brand which provides a unique combination of breathability and waterproof protection.

In addition, Gore technology has broad applications in the medical field. Our medical products include synthetic vascular grafts, surgical meshes for hernia repair, and sutures for use in vascular, cardiac, and general surgical procedures. More than 40 million innovative Gore Medical Devices have been implanted, improving patient outcomes worldwide. Two of the MTBs we submitted for duty relief are inputs used to coat implantable medical devices to ensure hemocompatibility. These particular petitions truly exemplify the need and value of this process.

Collectively, Gore and our partners are global leaders in innovation and technology. Our success as a market leader and a global innovator derive from extensive investments we make in the United States. We create high value for products through our research, product development and design, process engineering, testing and analysis, and patenting and market research conducted in the United States, principally within our Maryland, Delaware, Pennsylvania, California, and Arizona campuses, along with one of our newest product lines located in Bozeman, Montana, which is home to SITKA Gear.

Our commitment to invest in innovation in dozens of complex products means we can successfully compete and win globally. We manufacture technically sophisticated, IP-intensive products. As an example, in high performance apparel and footwear, the GORE-TEX brand is known for its high-quality and innovative products, but there are only a limited number of factories in the world capable of manufacturing to our high-quality standards.

When in effect, the MTB process alleviates duties that act as barriers and allow us to supply the market with a broader variety of products. The savings on duties translate into various benefits for Gore and our customers. For our medical products, duty savings from the MTB can be invested into our ongoing U.S.-based research and development, which allows us to develop new

technology that improve patient outcomes. For outdoor footwear especially, which face duties as high as 37.5%, we observed that the MTB allows our customers to add our technology more broadly across their product line and deliver a wide range of innovative styles at better price-points for outdoor enthusiasts. Moreover, for our North American customers, the majority of membranes and films for footwear products originate in the U.S. This means the highest value portion of the manufacturing is done domestically. This high-tech process makes shoes and boots water-proof and breathable to enhance the outdoor experience for our customers. Gore products are the result of substantial research and development conducted in the United States.

Lastly, I'd like to highlight the real-world positive impact that MTBs have for manufacturers and U.S. consumers based on Gore's previous experience.

As illustrated above, MTBs create and support U.S. jobs. The reduced duties under the MTB serves as an incentive for Gore to increase our investment in developing new innovative technologies that would benefit outdoor enthusiasts and improve patient outcomes.

For example, in late 2012, Gore unveiled GORE-TEX SURROUND™ technology, a new innovation platform in footwear. GORE-TEX SURROUND technology is configured to include breathability through the sole of the shoe and improves footwear comfort beyond what could be previously achieved using only the upper of the shoe while still keeping feet dry in wet conditions. As with any new and innovative product, the upfront costs to produce and sell at retail are much higher than for more established products. Coupled with 20% to 37.5% import tariffs, the total costs are even higher. The release of this new technology alongside the expiration of the last MTB essentially priced GORE-TEX SURROUND™ footwear out of the U.S. market. As a result, GORE-TEX SURROUND™ was introduced only to the European and Asian markets, giving these brands a first to market advantage. While a few U.S. footwear brands have since introduced the technology into their collections in limited styles, they remain behind their European and Asia Pacific competitors.

Thank you for renewing the MTB, a great opportunity for U.S. companies, and for considering my remarks today. I am happy to answer any questions.



Chairman REICHERT. I thank all of you for your presence here and for accepting our invitation. Thank you for your testimony. And your testimony today makes it clear that the temporary duty relief provided by the MTB is essential in helping our American companies stay competitive, especially with increasing pressure from China.

Mr. McAssey, you highlighted this important point in your testimony. Can you explain a bit more about the increasing competition you face from China and how the MTB allows you to stay competitive, manufacture here in the United States, and continue to employ American workers?

Mr. MCASSEY. Yes. Thank you, Mr. Chairman.

Yes. So we import the motor from China. The motors, you know, no one has contested the fact that the motor is not available in the United States. And what it allows us to do is do the rest of the manufacturing, and, you know, that is the steel, the bodies, the injection molding. So we add a lot of value to doing that here in the United States. This is not just, you know, a screwdriver operation. With \$7.4 million of PP&E, it is a substantial investment to the manufacturing process. And, you know, we have done it largely with automation. And all the competition right now does come from the PRC.

Chairman REICHERT. So how does MTB allow you to be more competitive?

Mr. MCASSEY. You know, because we get down into just razor-thin margins. So sometimes, you know, the difference of a sale is 20 to 30 cents, and, you know, we have worked with low, low margins. And this would allow us to go in and try to, you know—and continue to try to generate more volume to help drive down our unit cost.

Chairman REICHERT. So the elimination of that tariff would allow you to sell more products, then may lead to more jobs?

Mr. MCASSEY. Yes, sir.

Chairman REICHERT. Ms. Smith, you mentioned in your testimony that the new MTB process provides better certainty and predictability, which will help long-range planning and product development. Can you talk a little bit more about how the new process helps you better plan and make investment choices in a small family-owned business like yours?

Ms. SMITH. Sure. So, not unlike my other panel members here, as a small family business, margins are key, right? So as we were just discussing with you, the cost of goods is a key driver of that.

And so, as we look at opportunities to either invest in existing products that we have today, or in developing new products to bring to the market, or partnering with others to bring products into specialty crops, what we can project in our business plans about what our potential margin will be is critical to us being able to spend the dollars up front to develop those products and get them registered, and then sell them.

So our investment happens before we can ever sell a product. So having a predictable process that lets us better estimate what the cost of goods is for our products is critical to that whole process.

Chairman REICHERT. It provides certainty for you?

Ms. SMITH. Absolutely, yes.

Chairman REICHERT. Thank you. Mr. Pascrell.

Mr. PASCRELL. Thank you, Mr. Chairman.

Mr. Ratchford, you said in your testimony that your company, Gore, appreciates the renewal of this important program, the MTB. The process creates an avenue for substantial duty savings. We believe the new rigorous process is rightly focused on ensuring that the current and imminent U.S. manufacturing is not harmed. That was your testimony.

So let me ask you this: How does your company plan to use the saved revenue that would result from the passage of this MTB?

Mr. RATCHFORD. Mr. Pascrell, for our company, I think the investments would be in continued research and development in a variety of products. You know, the more competitively priced those products are, the more revenue we have. That, one, helps secure American jobs. As I said, we have 6,000 associates here in the United States. Our employment footprint has been very constant over the past decade in that regard. But our real lifeblood is innovation, and continuing to invest in research and development is where some of the profits, one of the gains of the MTB would be made.

Mr. PASCRELL. Thank you. To any of the witnesses, how important is tariff relief on manufacturing inputs to your competitiveness with imports of finished goods? Ms. Smith.

Ms. SMITH. Sure, I will start. So it is very important, because agriculture is a global economy, right? And there is no one product that everybody uses. They have to use multiple products. So all of our products are competing with everything else that comes in. So having that competitive advantage, both in the manufacturing and in the ability as we sell our products, is critical to our success.

Mr. PASCRELL. Mr. McAssey, any thoughts about that?

Mr. MCASSEY. Yes. With us, you know, getting back to, you know, we are in this business of pennies. And allowing us to, as Ms. Smith indicated, have known certainty, we can continue to invest and invest in the R&D to make the product so that it is—you know, we would like to change the rules of the game where it is not just cost-based. And this gives us the certainty to know that if we do make this investment, that we can be competitive.

Mr. PASCRELL. Mr. Ratchford.

Mr. RATCHFORD. Yes. I mean, I agree with my colleagues and what they said here. I mean, it makes us all more competitive. It secures those American jobs. As I said before, for our company, we invest in research and development.

Mr. PASCRELL. Go ahead, Ms. Smith.

Ms. SMITH. I would just like to add one thing to your question, which is that, you know, you asked what do we do with the savings that we get from these. One, for sure, is what we have all talked about, which is reinvestment into our companies and products and research and development and bringing products to the market.

But we also have a profit-sharing program with our employees. So when we have 700 employees, anything I can do to reduce my cost benefits my employees. It allows me to continue to provide healthcare coverage; it allows me to pay bonuses; it allows us to give raises. So I think that, you know, for sure, one is in the prod-

ucts that we bring and the manufacturing, but also in the benefits to the employees and the rest of the people in our community.

We have a program where we invest in our schools, to help bring science to the classroom there, so people understand science and the importance of agriculture. And any savings that we have allows us to continue to do those things.

Mr. PASCRELL. And the reason why I asked the question in the first place is I think that we need a barometer in terms of when we use that term "savings" and making yourself more competitive. I want to see where wages are in the company before and after. There is no law that we can pass to do that, but it would certainly lead to the solvency of the program. We have, you know, 3 years; every 3 years we vote on this.

So the point of the matter is the results need to be somewhere that we can measure, and we are not just talking about feelings here. I know you are not. We need to talk about what is measurable in terms of helps the stagnant wages in the United States of America, besides providing you with the ability to be a little bit more competitive. Thank you.

Thank you, Mr. Chairman.

Chairman REICHERT. Thank you.

Ms. Jenkins.

Ms. JENKINS. Thank you, Mr. Chairman, for holding the hearing. And I thank the panel for your testimony this afternoon.

Mr. Chairman, this new MTB process has yielded a workable and transparent report with more than 1,800 recommendations of tax cuts for American consumers and manufacturers, increasing our competitiveness abroad, while creating and saving jobs here at home.

For example, the ITC's final report contains two specific provisions that directly affect my district with positive impacts. Both of these provisions would benefit Goodyear's manufacturing plant in Topeka, where the company manufactures truck as well as off-the-road tires used for earth-moving and mining equipment.

With more than 1,700 employees, Goodyear is one of the largest private manufacturing employers in eastern Kansas, and its Topeka manufacturing facility has been in operation in the State since 1945. Additionally, the plant covers 69 acres under one roof, making it easily one of the largest tire manufacturing plants in the world.

One of Goodyear's petitions is for segmented compression tire molds greater than 25 inches. Goodyear's workers use these molds for curing the type of off-road earth-moving tires made right there in Topeka. These molds are used in the curing process to apply both heat and pressure to give a tire its final shape. And as the ITC report reflects, molds of this size are simply not produced in the United States and must, therefore, be imported.

The second petition is for a certain chemical input that is one of the key raw materials in Goodyear's production of an antioxidant used in tire manufacturing by all of Goodyear's tire plants throughout the United States, including the Topeka plant. Again, this input is so specific and domestically unavailable that the ITC has recommended it for swift tariff relief.

As I mentioned before, relief for these products and the hundreds of other products included in the report will help companies like Goodyear, in my district, better compete globally and create jobs across the country.

Mr. Chairman, I was pleased to support the American Manufacturing Competitiveness Act back in 2016, and today, I am pleased to see this MTB process moving forward, to provide benefits for Kansans and for the rest of the Nation.

And with that, Mr. Chairman, I will yield back.

Chairman REICHERT. Thank you, Ms. Jenkins.

Mr. Kind.

Mr. KIND. Thank you, Mr. Chairman. Thanks for holding this hearing. And I appreciate the witnesses' testimony here today.

Mr. Ratchford, when you were mentioning the various States that W.L. Gore has a presence in, I couldn't help but wince, because you had a great facility in the heart of my congressional district in Eau Claire, Wisconsin, for a while that was sold. But that was when I got to meet now-Senator Chris Coons, when he was working for Gore at the time, and got to know him really well. But we appreciate hearing your feedback.

And with all due respect to the witnesses, this is kind of a boring hearing because it is not that controversial. It has been 7 years since we have been able to move an MTB, and it is long overdue. And I think we have a nice process put in place now with the ITC petition process and the vetting that takes place as well as the standards that will clear. And hopefully, we will be able to move forward on this, just realizing the economic impact that it could bring. But it is another indication of why working on a proactive trade agenda, that tears down barriers, that provides for a freer flow of goods and products and services, is so important for the revitalization of our economy right here at home.

And, Mr. Chairman, I know this is a Trade Subcommittee hearing, but given the amount of time that we have in committee apparently these days, I think it would be wonderful if we at least try to tee up a few hearings on the comprehensive tax reform that we are working on these days, because this stuff gets complicated real fast, and I have a feeling that each one of you as witnesses could probably come and offer some insight on the tax provisions that are being discussed, or at least thought about.

I mean, Ms. Smith, you mentioned that your company is still family-owned. I presume you are an S corp right now, so a pass-through entity when it comes to tax liability purposes?

Ms. SMITH. [No verbal response.]

Mr. KIND. Yes, that is right. Well, one of the challenges we are facing is how not to leave the pass-throughs behind in reform and so it is not just corporate tax relief at the end of the day. And how do we do that and politically justify it with people back home without providing a huge windfall to the private equity or the hedge fund dudes on Wall Street who are billionaires?

And these are things that we are wrestling with. And I think it would be very helpful, that getting feedback and some vetting from all of you too before we make a terrible mistake by trying to rush something to the floor without proper vetting, without proper hearing, and then suffer the consequences a little bit later on.

So it doesn't sound, Mr. Chairman, as if that is in the cards. It sounds like this is all going to be done behind closed doors and then we are going to have a two- or three-night markup on it before it comes to the floor. But I think without the proper vetting, it is going to be difficult to produce good policy with that process.

My question, though, for you on this measure is, how hard do each of your respective companies look for a domestic source for the product that you need rather than just worrying about the MTB tariffs and trying to reduce those?

And, Mr. McAssey, you said you guys import molders from China. I mean, are you approaching domestic manufacturers of molders and saying, hey, this is what we need. Can you supply us and what would the cost be?

Mr. MCASSEY. Yes. We continually do that. We are, you know, concerned about even the stability of supply in China. Up until 2000, we made a motor. It wasn't as energy-efficient as what we are able to get in China. We weren't competitive with it. But we made it ourselves. We were the last people to make this. In the 33 years that I have been with the company, I would venture to say that I haven't seen anyone able to do this in over 25 years other than ourselves.

Mr. KIND. Really. The type of quality, efficiency that you are getting from China and what they are making?

Mr. MCASSEY. Yes, yes.

Mr. KIND. So there are some economies of scale, certain comparative advantages that they enjoy there for some reason that we can't duplicate here domestically.

Mr. MCASSEY. I mean, you know, before I came with the company, we always had, you know, a good livable wage. We had healthcare; we had a pension; now we have a 401(k). But, you know, with that, you know, we are competing against people that a lot of times don't have these benefits and the regulation, the safety.

You know, I have traveled to China. I have seen the plants. Granted, it has gotten better. But, you know, the environment, the safety, you know, the ability to select workers and that process, you know, all things that we enjoy as Americans that they don't have there, and, you know, we compete against that.

Mr. KIND. Are you confident that the company you are doing business with in China has certain respectable standards that live up to our principles?

Mr. MCASSEY. Yes, yes. We definitely—we have a process where we vet that. We audit that. And we have accountability to our customers, to their standards.

Mr. KIND. Okay. Thank you.

Thank you, Mr. Chairman.

Chairman REICHERT. Mr. Kelly.

Mr. KELLY. Thank you, Mr. Chairman, and thank you all for being here.

I am going to go a little different direction, because I know you all compete globally and you rely on a global supply chain, because you don't have access to everything you need for your finished product being made right here in the States.

But where I want to come from is a question that we all worry about, and that is revenue. And I am not talking just about what the company pays. I am talking about what you also pay in wage taxes, you and your associates, how that helps out when it comes to Social Security, your real estate taxes that you pay, your economic impact, because all the people that supply you in addition to the folks overseas are also part of this whole economic picture.

So I know that you can't do it right now, but if we don't start looking at the economic impact, when we start to lose American jobs and we have American companies leaving because they just no longer can stay in America and compete globally, then I think we are missing the entire boat. We are always looking for revenue. And we can't cut our costs, so we have to go after you to supply the revenue. And we know where the revenue comes from, okay, it comes from companies that are profitable and people who are working. That is the only place it comes from.

So if you can, if you can get back to us with each of your companies, to let me know the economic impact not only on the communities that you are in, but also with your global suppliers, because you have other people right now in the States that are helping you also.

So I think it is incredibly important that we recognize that. And I know, listen, I don't know of anybody who is in business anymore that can say, you know what, we are in a pretty good spot because we don't have to compete against anybody and we have a product that everybody has to own and they have to buy it at our price. There is nobody else on the shelf but us.

So I think, again, the economic impact, total economic impact of what you are able to do is incredibly important, not only to this Committee, but to the communities you are in, the States that you are in, and the country that we all are trying to keep going. So if you can get back to us with that, I would really appreciate it.

Other than that, I want to thank you for taking time out of your lives to come here and to sit before us, to let us know where it is right now that you are sitting and the competition that you face. I am also from the private sector. Listen, it is hard. And I don't know anybody that doesn't have anything but razor-thin margins. It is just that close. When you said 20 to 30 cents, the difference between somebody picking your product or somebody else's product, I think most people would say, oh, no, that is impossible. The business I am in—I am in the automobile business—is \$5 a month that can make the difference between us being able to sell a car to somebody and somebody else being able to sell a car to somebody.

So I am really concerned about where you sit and what it is you are trying to do. So I know you can't answer my question right now, but if you get back to us, I think it is really critical that everybody sitting on this panel understands the total economic impact of what it is that you do.

Also, if you wouldn't mind, how about including some of the contributions you make to the communities you are in that help out. Things like the United Fund and other fundraising things and charities that you all compete in or produce. I would really appreciate that.

So, Mr. Chairman, thank you. And thank you all for being here. Listen, it is tough. It is tough out there. We are all trying to get to the same place. So thank you so much for being here. I yield back.

Chairman REICHERT. Mr. Levin.

Mr. LEVIN. Thank you. Thank you, Mr. Chairman.

You know, as we sit here, I think it is perhaps useful to just think back a bit as to how miscellaneous tariff issues were handled in the past, because some of those who worked on this aren't here now. But there was a real effort on a bipartisan basis, going back many years, to provide transparency, to make sure that everything was aboveboard, to make sure that any impact on domestic producers was clearly known. Those were the days when we very much tried to work together.

And what happened was that there was some conflict with rules within the Republican Conference, and essentially all the work that was done in previous years—and I think at least one of you benefited from the miscellaneous tariff, all of you did before. So what happened was that we changed it so that instead of Members filing bills, essentially, people would file on their own, it would go to the ITC.

And I have mixed feelings about that. There was some feeling that perhaps some Members were making political points, but I don't think that was true, basically. I think they were motivated by knowledge of what was going on within their own districts, in most cases. And so this has become part of kind of the separation of Members of this House from activities in their districts. And I think when it was abused, it needed to be addressed, but the end of this process, I think, also tended to disconnect Members of Congress from what was going on within their own districts.

So I think we just need to take a look at that as we proceed. And just remember how hard this Committee worked to try to change a process that was not transparent and where there, perhaps, wasn't abuse, to make sure that everything was aboveboard.

And let's remember if any single person disagreed on this Committee with proceeding with a bill, it was automatically discarded. It took just a single person, I think, among those who were either ranking or on the Subcommittee entirely.

So I also want to say it is useful to have this hearing, but I want to reiterate what Mr. Kind said. There is an irony in our coming together and spending an hour, an hour and a half on this important issue that I think is essentially in good shape, and not having a single hearing on what is today the main mystery of Washington, the tax bill.

And I would urge Republicans on this Subcommittee to try to help the leadership. I finish with this: The Miscellaneous Tariff Bill has always been—not always, but in recent years, has been hallmarked by transparency. And essentially, we are going to take up a tax bill that to date has no transparency whatsoever.

I yield back, and again thank the witnesses for being here. And continue to tell us how it is working, because we wanted to be sure that industrial efforts continued as long as it benefited the workers of this country and its companies. I yield back.

Chairman REICHERT. Mr. Paulsen.

Mr. PAULSEN. Thanks for holding this hearing today, Mr. Chairman. This is an issue that is essential to the success of manufacturing in my home State of Minnesota, as well as the rest of the country. Just take a look at both the past and the future. First, in the past, since the last MTB expired at the end of 2012, we have seen \$748 million in additional taxes for American manufacturers every year, and an almost \$2 billion hit to the economy. And the MTB package in 2010 supported 90,000 U.S. manufacturing jobs, increased production by \$4.6 billion, and expanded U.S. GDP by \$3.5 billion.

And now the future. The ITC's report contains more than \$350 million in much-needed tariff relief for our American manufacturers this next year, and \$1 billion over the next 3 years. As far as government programs go, this one has a pretty good return on investment: Thousands of jobs, billions of dollars in economic gains for what boils down to a few million dollars in tax relief for American manufacturers every year.

It is important to note that this tax relief does not come at the expense of other American producers. The International Trade Commission must determine that the materials that are receiving tariff reduction or elimination through the MTB process are not produced domestically. So in the end, this is a win-win situation. Our manufacturers get well-deserved tariff relief on materials that aren't produced here in America, and American consumers get the lower prices when they go to the store. So I am excited that this process is now up and running once again. I look forward to getting this MTB legislation across the finish line later this year.

Let me ask a question: We do know that, according to the International Trade Administration, every \$1 billion in exports, American exports, supports about 5,000 domestic jobs. Your testimony today, from all of you, highlights the importance of the MTB to American businesses and American consumers and the wide-ranging benefits that process offers.

Now, the other way to help boost American competitiveness, including reduced tariffs on inputs not available in the United States and better market access for American-made products, is through more trade agreements, free trade agreements.

Do you believe, do you agree—and I will start with you, Ms. Smith—that it is important for the United States to maintain its existing trade agreements, and to also work on negotiating additional agreements?

Ms. SMITH. Thank you. I do believe existing trade agreements are important. I think the position of agriculture is pretty well-known about their belief about trade agreements. As you talked about, we export a lot of agricultural products from the United States. Our business is a supportive one of U.S. agriculture, so we are fully supportive of anything that helps U.S. growers sell their products overseas.

So I would say yes, the trade agreements that we have in place are very critical for agriculture. Any work we do on trade agreements, we should first look at, you know, what is the impact to U.S. business, right, and make sure we do no harm to U.S. business.

Mr. PAULSEN. Mr. McAssey.

Mr. MCASSEY. Yes, Mr. Paulsen. In our case, the existing trade agreements have been a net positive for us, mainly the NAFTA. At this point, the global exports to the rest of the world with the thin margins, it is just not there for us. But in our own case, you know, we have had a substantial increase in our shipments into Mexico and to Canada from the existing trade agreement.

Mr. PAULSEN. Selling American to Mexico?

Mr. MCASSEY. Selling from America into Mexico and into Canada.

Mr. PAULSEN. Mr. Ratchford.

Mr. RATCHFORD. Mr. Paulsen, I agree with my colleagues. I mean, FTAs are very important. I mean, they provide certainty for the business community out there. They open up markets for us and it provides a level playing field. As long as those free trade agreements are, you know, fairly negotiated and adequately enforced, we would continue to be supportive of that.

Mr. PAULSEN. Would you say in this modernization of NAFTA, which is going on right now, that it is important for stability and confidence as a part of your expert knowledge, or continuing that track down the road, that you are counting on that, it is important?

Ms. SMITH. Yes. I think it is—I talked about it a little bit in my testimony. Certainty is critical, right? And understanding what those trade agreements say today and what they may or may not say in the future is critical. I think getting input from those who are impacted is essential so that you have a firsthand understanding of what those impacts are.

I mean, we do crop protection products, but we also grow dates. We export our dates to Canada, Mexico primarily. We have an impact on a number of different levels from those agreements. So I think it is essential, yes.

Mr. PAULSEN. Thank you very much, Mr. Chairman.

Chairman REICHERT. Mr. Holding.

Mr. HOLDING. Mr. Chairman, thank you very much for holding this hearing on the Miscellaneous Tariff Bill. I am sure none of you will be surprised to learn that North Carolina has more MTBs recommended by the ITC than any other State. Of the 1,800 petitions from the ITC, over 330 of those were submitted by North Carolina businesses. Those petitions represent an estimated duty savings of over \$70 million in 2018 alone.

MTB legislation would benefit a wide variety of manufacturers in North Carolina, such as textile manufacturers like Glen Raven, or crop science companies around the Research Triangle Park, or appliance manufacturers in Charlotte. All of these benefit underneath the plan. This represents a tax cut that not only benefits the individual importing the product, but, of course, it also benefits downstream producers, distribution service providers, but, most of all, it benefits consumers.

So I think this is an incredible opportunity to cut those duties, which are taxes, and have the opportunity to reinvest them in our communities. As we all know, it has been nearly 5 years since the last MTB has expired, and this caused U.S. businesses and consumers to face hundreds of millions of dollars in higher tariffs with no domestic relief resource.

So I appreciate the witnesses taking the time to share their stories with the Committee, and I am sure their thoughts will be echoed across the Nation, especially in North Carolina, as we examine the potential impact of MTB legislation. So I look forward to working with you, Mr. Chairman, and continuing this process, and I appreciate the opportunity to have this hearing.

With that, I yield back.

Chairman REICHERT. Thank you. Mr. Doggett.

Mr. DOGGETT. Thank you, Mr. Chairman. This hearing, like the last hearing we had in the Subcommittee, is really an alternative to bringing anyone from the Trump administration here to explain the totally confusing Trump trade policy on NAFTA, and on other trading arrangements with the rest of the world.

We will meet privately with the trade ambassador later this afternoon, but it has to be in a private session so secret that for any staff member to attend, they need to have a top secret security classification. And I can understand, given the total contradictions in the Trump trading policy, why they would be reluctant to come to this Committee.

As my colleagues have noted, it is also peculiar that we are considering a tax cut bill today in a public hearing, a tax cut bill, the total amount of which is hardly a footnote to the monstrosity that we were told will be dropped on America next Wednesday, with a 1,000-plus page bill, where, again, all efforts to secure hearings on that tax bill have been thwarted.

We have been here in September, in October. We will get to November 1 without having a single hearing, with a total unwillingness to have anyone from the Trump administration come and be held accountable, to answer any questions, to explain their tax bill, because the idea is, having learned nothing from the failed healthcare repeal, to force this bill through with as little opportunity for comment from affected businesses like yours that have to decide are we better off expensing or losing our deduction for interest in the process?

What happens to our retirement plans? How are some different industry sectors affected from others? So it is really unfortunate that the only tax bill we get a hearing on is this modest one.

Now, the Miscellaneous Tariff Bill, when it is reviewed, when these tariff concessions are reviewed by the International Trade Commission, the Commission is not charged with determining the impact on the public interest with reference to each of these matters.

And let me ask you. I appreciate your testimony. You sound like all-American companies, each of whom will benefit in a constructive way from the reductions that are proposed. Are any of your companies affiliated with a foreign enterprise? Are you a subsidiary of any foreign business?

Ms. SMITH. No.

Mr. MCASSEY. No.

Mr. RATCHFORD. No.

Mr. DOGGETT. Well, we don't apparently then have a representative here of companies that are. And there are a number of companies that are scheduled to get benefits. The pharmaceutical in-

dustry gets about \$12 million to \$13 million a year in proposed benefits if the bill is approved as it has been filed.

And it looks like kind of a mini United Nations there. I see a company from Japan, a couple from Germany, from Sweden, from Korea, from Switzerland, from the United Kingdom, certainly not the kind of small businesses that your companies represent, that are scheduled to get benefits.

One of the more curious ones in here is the proposed reduction of a tariff on aspirin, and why it is that that will lead to any benefit for the American consumer is hard to understand. Indeed, the report language on the original Miscellaneous Tariff Bill talks about the advantages to consumers of avoiding higher prices.

But we have no explanation of how pharmaceutical manufacturers who are engaged in some of the most outrageous price gouging in the country, in interfering with consumers who—I talked to one woman recently who said she had to choose between breathing and eating because of the cost of her asthma medication, how any of those consumers will see a dime of benefit from this reduction, and why it is that a bill and a process that is designed to help small businesses in America targets so many of its benefits on companies that are really just foreign affiliates of manufacturers from abroad.

So this may grow jobs for these companies in Germany or Sweden or Korea, but it is not clear how it will grow jobs here, or how it will save American consumers a penny on these pharmaceuticals.

And I yield back.

Chairman REICHERT. Mr. Meehan.

Mr. MEEHAN. Thank you, Mr. Chairman.

And I am very grateful for the presence of these companies who have made such a commitment to our Nation with the work that you are doing. And I am grateful for my good friend from New Jersey, Mr. Pascrell, and his participation in this process. He got me a little hungry. I want to know what restaurant we are going to go to to take advantage of all of those things you were protecting from that Italian sandwich you were describing.

But I am aware, as you said, that your companies that are really competing, you are competing in a margin, in a very, very tight margin.

Mr. McAssey, I appreciate the presence that you have right there in my district and the great work that you do preserving those jobs there.

When you are taking advantage of a program like this, I know you are working on very, not just tight margins, but tight timeframes. How important is it to you that this MTB is expeditiously done? What impact does it have if you have delays and things of that nature in the process?

Mr. MCASSEY. Thank you, Mr. Meehan. Yes, I lost track of the time and I wanted to cover that in my testimony. But we are a seasonal business. You know, fans are sold, you know, in the spring and summer. We just got done quoting our customers for the upcoming year in 2018. And the certainty, you know, of getting back to—if we had known, you know, where we stood on this issue, we feel pretty good, but we have been, you know, very close to the finish line before and haven't been able to get it done. So, you know, timing is very important in our case.

Mr. MEEHAN. So it is not just timing as well, but one of the things that I have noted is, you identified that you have issues with competition from China.

Mr. MCASSEY. Yes.

Mr. MEEHAN. And this enables you to be able to beat that competition currently. Can you speak a little bit to your relationship with China? If, in fact, you believe that in addition to this benefit that you are getting from the MTB, are you seeing any other kinds of trade practices that are being conducted in the industry in a predatory way or otherwise coming out of China?

Mr. MCASSEY. Well, you know, I want to only speak to what I can prove, but we have seen, in the last couple of years, a concentration. Instead of a very fragmented Chinese supplier base, it has become much more consolidated and driven toward our products. You know, we make a lot of fans, and we are always, you know, looking. You know, we feel like we have a bull's eye on our back.

Mr. MEEHAN. When you say consolidated supplier base, can you help educate me on what you are referring to? A supplier base that you are competing with China for access to or—

Mr. MCASSEY. Competing with in China.

Mr. MEEHAN. And are they doing anything in a predatory way to shut down competition in those suppliers that makes it harder for you to get components?

Mr. MCASSEY. No. I mean, we have been able to go to suppliers that are not part of that finished good, you know, basis. We have been able to work with suppliers that primarily will make the motors and motor assemblies. But I am not aware of any specific predatory practices other than very, very low prices.

Mr. MEEHAN. Right. Well, thank you for what you are doing, keeping the jobs here in the United States with the great workforce that you have and the great product that you produce.

Mr. MCASSEY. Thank you.

Mr. MEEHAN. And, Mr. Ratchford, thank you as well with your presence very close and around my district, and I think in a number of others districts here in the United States. You have also identified, in your comments, this process, but you also talked about—some of it is working, maybe some improvements. Can you give me some insights into how this is working for you? If you have some suggestions now that we have been down this road for just a very short window, what your experience has been, and how you think it might be able to be improved?

Mr. RATCHFORD. Sure, Mr. Meehan. So with any new process, there is going to be kinks in the process. And we appreciated the opportunity to work with the agencies involved, and the folks involved were great. So if I had a couple of suggestions right off the bat, it would be, first, that the initial portal was somewhat rigid. That if you had to amend a petition, you had to start from scratch and put in a new one, you couldn't, like, edit it, so that made it a little bit difficult.

Mr. MEEHAN. Did it have any kind of impact on you in terms of time and things of that nature?

Mr. RATCHFORD. Sure. Sure. You would have to reenter the whole thing, and the folks who do that, it was sort of a frustrating

experience. Again, I am not blaming anyone, it was just the way it was constructed. It is sort of remarkable they got it up and running as fast as they did.

And then, second, the ITC was great and it was an opportunity to have a dialogue. So you got down the line—there were issues raised by Customs and Border Patrol about the ability to administer provisions of it. And it would have been more helpful to have had that dialogue—a similar dialogue with CBP that had been had with the ITC.

Again, the definitions that are provided are highly technical, and they are worried about, can they enforce this, can they administer it. So as we go forward, it is increasing that level of transparency, increasing that level of dialogue, would be two things that I would suggest.

Mr. MEEHAN. Thank you. Well, thank you for your very, very good suggestions. I know they will be taken into consideration by the Committee. Thank you for your testimony here today.

Chairman REICHERT. Thank you. Mr. Davis.

Mr. DAVIS. Thank you very much, Mr. Chairman. And I, too, thank the witnesses for being here. I am proud to know that AkzoNobel is a global Fortune 500 company that is listed on the EuroNext Amsterdam and NASDAQ stock exchanges. The company is also listed on the Dow Jones sustainability indexes. AkzoNobel is a multinational organization that serves customers throughout the world with human and animal healthcare products, coding, and chemicals.

An employer of more than 61,000, it is divided into 13 business units, and maintains operating subsidiaries in more than 80 countries. It is one of the world's leading chemical producers. Its chemical division specializes in pulp and paper, polymers, functional and base chemicals. AkzoNobel has a portfolio of more than 2,000 different chemical products that are used as raw material, and intermediate materials for the manufacture of everyday items. Of course, it is an American-based company that is located in my district. And I know that they have five petitions approved by the International Trade Commission.

Mr. McAssey, you mentioned that you do joint manufacturing with interest in China. Could you tell me, if you know, how many of those kind of joint manufacturing items that you might produce—that your company produces?

Mr. MCASSEY. Yes, sir. So we use the motors on the fans that we sell in the United States—that we manufacture in the United States, which is, I think, roughly 60, 65 percent. So every one of them does have a motor that is coming from the PRC right now.

Mr. DAVIS. And do you have that kind of manufacturing activity with other countries, or in other countries as well?

Mr. MCASSEY. No, sir. We don't own any factories in the United States. We have explored other countries, but, you know, we have not been able to find one that can provide what we need. I think long-term the next step for us would be, you know, if we can establish the volume base and—I have long-termed the—the next step for us is to look at making them in the United States, going back to it.

Mr. DAVIS. If I could ask each one of you quickly, what kind of trade policy do you think helps your company the most?

Ms. SMITH. What kind of trading policy? Is that what you said?

Mr. DAVIS. Yes.

Ms. SMITH. Clearly, a fair trading policy, right, that considers what the impacts are for us, but I think, as Mr. Kelly was suggesting, that all of us are in a business that has impacts beyond what we do, right? So who we sell to, who we buy from, and what we do in our communities must all be considered. So I think it has to be a broad consideration of what the impacts are to make sure that we can remain competitive as American companies, family-owned businesses, in small communities competing on a global scale, I think all of us globally.

Mr. DAVIS. Thank you.

Mr. RATCHFORD. To those comments, I would add protection of intellectual property in trade agreements, and counterfeiting is another issue there. But respect for that rule of law and intellectual property protection would be things that I would add to what Cindy said.

Mr. DAVIS. Yes.

Mr. MCASSEY. And protection of our jobs, you know, in terms of a level playing field. You know, the trade policies we have can certainly be tweaked, but they are helping us right now, at least in North America.

Mr. DAVIS. Thank you all very much.

Mr. Chairman, I have about half a minute left and I would like to yield that to Mr. Pascrell.

Chairman REICHERT. Mr. Pascrell.

Mr. PASCRELL. Thank you, Mr. Davis. And thank you, Mr. Chairman. I would like to comment in response to my friend, Mr. Doggett's concerns, regarding the inclusion of pharmaceutical products in the MTB. We all agree that we support the aim of supporting low cost for medicines, but is keeping tariffs on products the way to do that? If anything, removing tariffs provides an incentive for lower costs.

On the issue of aspirin, there was a thorough public comment process for stakeholders to weigh-in on their views on that particular subject, legitimate subject, but not a single objection was filed, not from a public interest group or a domestic manufacturer.

So, Mr. Chairman, the tariff relief provided by this bill will only last 3 years anyway. The bill lasts 3 years. So any impact this bill might have on domestic manufacturing would only be temporary, if any. Moreover, aspirin was included in the MTB that we voted on back in 2010. You voted for it, Mr. Doggett, and I voted for it. My friend voted for it and I voted for it in favor of both of the bills.

So I hope that we can avoid—it is an easy target when we get into the area of trade. It is such a sensitive issue. Needless to say, pharmaceuticals is a very sensitive issue, one of the primary reasons for the increase in health costs. But I don't think this is the avenue to deal with that.

Thank you and I will yield back.

Chairman REICHERT. Thank you, Mr. Pascrell, for your comments.

Mr. Rice is recognized.

Mr. RICE. Thank you, Mr. Chairman, for holding this hearing. MTBs have certainly come to the aid of a number of the businesses in my district. They are very important. My district, Mr. Ratchford, was—I am in northeastern South Carolina, and there was a fair number of textile companies in my district before—up until the 1980s, and now all those buildings are sitting there empty, but a few of them have survived and continue to thrive. One in particular in Cheraw, South Carolina, called Highland, makes fairly advanced and technical textile materials, even things that go into rocket engines and such. So I am very proud and happy to have them.

But I am curious, in your capacity as Chairman, or as a member of the National Textile Council.

Mr. RATCHFORD. So we are a member of the National Council of Textile Organizations. We are a member of a couple different associations.

Mr. RICE. Can you give me some more specific examples of how MTBs help our remaining textile companies in America to compete globally?

Mr. RATCHFORD. So let me talk a little bit about Gore's participation in NCTO. We are members of that for purposes of our military fabrics business. And so certainly protecting the Berry amendment is very—

Mr. RICE. Could you pull that microphone a little closer, please. Thank you.

Mr. RATCHFORD. Sorry about that. As I was saying, we are a member of NCTO. We are in NCTO because of our military fabrics business, and so we are protective of the American textile industry there.

Mr. Rice, I don't have the specifics on it. I can get those to you. But I do know at the time this due process was launched, I believe that NCTO did make a comment in support of the process going forward.

Mr. RICE. Okay. Mr. Chairman, with that, I will yield back.

Chairman REICHERT. Thank you. Thank you again for your presence here and taking time out of your busy schedule and for your testimony, and then also for your answers to the questions that we posed to you. As you can tell, this is one of those few moments where there is a sense of bipartisanship, that you have created this opportunity for us, provided us with good news, even to the point where there are two Members probably headed to New Jersey later this week for an Italian sandwich. So, you can leave Washington D.C. feeling good about that positive outcome. But more than that, you can feel good about your testimony because you have represented many, many companies across this country that benefit from MTBs that, as you have described, provide so much for, not only your companies, but then, proceeding through the revenue that you generate that goes back into your company to your employees. And then even out into the community, as Mr. Kelly spoke to so eloquently; and then also, finally, to the benefit of U.S. consumers for less expensive products.

So this is a priority for us to complete this year. And its timely renewal is critical, as well as the generalized system of preferences, the GSP. So, again, I appreciate your testimony and your time here with us today.

Please be advised that Members will have 2 weeks to submit written questions to be answered later in writing, if you would, please. Those questions and your answers will be made a part of the formal hearing record. Our record will remain open until November 8th, and I urge interested parties to submit statements to inform the Committee's consideration of the issues discussed today.

The Committee is adjourned. Thank you.

[Whereupon, at 3:30 p.m., the Subcommittee was adjourned.]

[Submissions for the Record follow:]



November 21, 2017

The Honorable Dave Reichert
 Chairman, Trade Subcommittee
 House Ways and Means Committee
 1102 Longworth House Office Building
 Washington, D.C. 20515

The Honorable Bill Pascrell
 Ranking Member, Trade Subcommittee
 House Ways and Means Committee
 1102 Longworth House Office Building
 Washington, D.C. 20515

Dear Chairman Reichert and Ranking Member Pascrell:

The Footwear Distributors and Retailers of America (FDRA) writes to express its strong support for advancing the Miscellaneous Tariff Bill (MTB) as soon as possible. Founded in 1944, FDRA is governed and directed by footwear executives and is the only trade organization focused solely on the footwear industry. FDRA represents the width of the industry from small, family-owned footwear businesses to global companies selling to consumers around the world. Members include the majority of U.S. footwear manufacturers, brands, retailers, and importers, and today FDRA supports over 130 companies and 250 brands.

The MTB remains important to both U.S. footwear companies and consumers, and FDRA greatly appreciates Congress working to create a new and transparent process for considering the MTB, with the passage of the American Manufacturing Competitiveness Act of 2016 (AMCA). Under this process, the U.S. International Trade Commission has determined that a number of footwear petitions filed by FDRA members meet the requirements of the Act for inclusion in the MTB subject to approval by Congress. Providing temporary and limited MTB duty-relief for these products would greatly benefit American footwear consumers, workers, and businesses throughout the U.S.

The AMCA highlights the significance of MTBs to both American consumers and manufacturers. As the Act states, the current Harmonized Tariff Schedule of the United States (HTSUS) "imposes duties on imported goods for which there is no domestic availability or insufficient domestic availability [which] creates artificial distortions in the economy of the United States that negatively affect United States manufacturers and consumers." Footwear duty rates are among the highest in the HTSUS and are frequently higher on lower price footwear. Reducing these duty rates through MTBs will provide American consumers with lower prices, which is particularly important to working class individuals and families. It would also increase the competitiveness of American footwear businesses, which helps strengthen jobs, innovation, and growth in our industry.

As the Committee considers ways to improve the current MTB process to provide greater transparency to the American public, a central goal of the AMCA, FDRA recommends ensuring that future MTB petitioners receive full and complete information from the Department of Commerce and other agencies on any objections to MTB petitions.

FDRA members have expressed concerns that they were unable to respond to certain comments from interested parties, because these comments were shared with the Department of Commerce on a confidential basis instead of through the open and transparent MTB process created by Congress. Many of these issues raised in the dark might have been resolved quickly and positively with additional clarification from the petitioning company, but no such opportunity was provided because of this defect in the current process.

In addition, Congress should strengthen the MTB process by establishing clear requirements for the Department of Commerce to verify domestic production. FDRA members have raised concerns that the method utilized by the Department of Commerce lacks consistency, transparency, and clearly established rules for verifying production. Throughout the process, FDRA consulted closely with domestic industry interests to ensure that we did not support petitions that would have adverse consequences for domestic producers. To this end, having a uniform and transparent process for Commerce to assess domestic production would greatly improve the process.

We look forward to working with you on the MTB and other efforts to provide duty relief that would generate real savings for the individuals and families who buy shoes, and we appreciate your efforts to prepare and advance the MTB.

Sincerely,

A handwritten signature in cursive script, appearing to read "Matt Priest".

Matt Priest

A simple horizontal line.



740 6th Street, NW • Washington, DC 20001 | P: 202-853-9080 | www.aafaglobal.org

Advocacy that fits.

October 25, 2017

Chairman David Reichert
Trade Subcommittee
House Ways & Means Committee
1102 Longworth HOB
Washington D.C. 20515

Ranking Member Bill Pascrell
Trade Subcommittee
House Ways & Means Committee
1102 Longworth HOB
Washington D.C. 20515

RE: October 25, 2017 Hearing on the Miscellaneous Tariff Bill (MTB): Providing Tariff Relief to U.S. Manufacturers Through the New MTB Process

Dear Chairman Reichert and Ranking Member Pascrell:

On behalf of the U.S. garment, footwear, and travel goods industry, we write in strong support of the process Congress has established for the Miscellaneous Tariff Bill (MTB) and urge Congress to act quickly to approve the current MTB as soon as possible.

Representing more than 1,000 world famous name brands, the American Apparel & Footwear Association (AAFA) is the trusted public policy and political voice of the U.S. apparel and footwear industry, its management and shareholders, its nearly four million U.S. workers, and its contribution of \$384 billion in annual U.S. retail sales.

We were thrilled when Congress passed bipartisan MTB reform. Providing U.S. companies the ability to eliminate or reduce duties on inputs and finished goods not available or manufactured in the United States is smart policy. It supports companies, and the U.S. workers that employ them, that rely upon global value chains by helping them reduce certain tariff costs. Given the scale of the undue duty burden our industry faces – in 2016, our industry generated more than 50 percent of duties collected by the U.S. government despite only accounting for a mere 6 percent of total imports by value – such duty relief is critical for our industry.

The current MTB includes nearly 1800 individual product petitions, as recommended by the U.S. International Trade Commission (ITC), and will provide \$350 million of duties savings in 2018, and more than \$1 billion over the next three years to U.S. companies. Dozens of these provisions include textile, footwear, travel goods, and apparel products that would benefit our industry and its four million American workers. As found by the ITC during the MTB process, the provisions do not harm any U.S. domestic manufacturers, and instead would provide real and immediate benefits for the industry, including those engaged in manufacturing in the United States.

Therefore, we applaud you for holding today's hearing, and again urge you to move toward quick Congressional passage this year of the entire MTB package recommended by the ITC.

We look forward to working with the Committee and the ITC as it considers the next tranche of MTBs in the coming years. It is our hope that the process used can be strengthened in several ways.

First, we ask that all comments, whether in opposition or support, that are provided to the Department of Commerce (DOC) for its report, be published in the same manner as comments filed to the ITC to ensure full transparency. Under the reformed process in 2016, the ITC published all submitted comments via its online portal, whereas DOC refused to even share the company names that provided input without their explicit permission to petitioners, the public, or the ITC. In several cases, the Commerce Department reported domestic production even though no objection was lodged through the ITC portal, and petitions were not recommended solely on this finding. Moreover, petitioners were unable to contact those lodging anonymous objections to determine if they might be able to source products domestically and generate business for U.S. manufacturers. The secretive nature of the Commerce Department's report and the input used to prepare it undermines the transparency that Congress sought to ensure in the new MTB process.

Second, it is imperative that the evaluation process used by the ITC and the Commerce Department for claims of domestic production include a verification mechanism of actual or imminent production of a like or directly like product in commercial quantities at similar price points within the United States. It remains unclear what steps, if any, were taken to verify claims that the product is a like or like directly competitive product and, if so, whether it is produced in commercial quantities domestically.

Thank you for your time and consideration in this matter. Please contact Nate Herman of my staff at 202-853-9351 or nherman@aafaglobal.org if you have any questions or would like additional information.

Sincerely,



Stephen Lamar
Executive Vice President

Evonik Corporation
Statement for the Record
Hearing on the Miscellaneous Tariff Bill:
Providing Tariff Relief to U.S. Manufacturers Through the New MTB Process
U. S. House of Representatives
Committee on Ways and Means Trade Subcommittee
Oct. 25, 2017 (submitted Nov. 7, 2017)

On behalf of the Evonik Corporation, I am pleased to provide the following statement to the House Committee on Ways and Means Trade Subcommittee and thank Chairman Dave Reichert and Ranking Member Bill Pascrell for holding this important hearing.

I am John Shelton, International Trade Compliance Manager, North America, for Evonik Corporation. I have worked for Evonik for 14 years in a variety of roles and can speak to the importance of the Miscellaneous Tariff Bill to our company and why passage of the bill is critical for our manufacturing business in the United States.

Evonik is one of the world's leading specialty chemicals companies. The central elements of our strategy for sustained value creation are profitable growth, efficiency and principles. Evonik's history in North America stretches back to 1882 when Franz Roessler started a paint company in Brooklyn, New York. Since then, Evonik has grown to more than 40 sites, in Mexico, Canada and the U.S., with approximately 5,000 employees throughout the region.

While Evonik no longer manufactures paint, it does produce the ingredients that help coatings last longer and endure harsher conditions. It also makes silicas and silanes that help tires roll better and reduce fuel consumption and greenhouse gas emissions. Evonik produces feed additives to supplement animal nutrition, polymers for 3D printing, active pharmaceutical ingredients and ACRYLITE® acrylic sheet for improved lighting and design. To supply these products, as well as nearly 4,000 others worldwide, Evonik has experienced significant growth in North America over the past several years.

Evonik Corporation is headquartered in Parsippany, New Jersey, but has more than 30 manufacturing facilities across the United States. International trade is an essential component of our company's continued success. Accordingly, we have a keen interest in the efforts by this Committee to complete the Miscellaneous Tariff Bill (MTB)

process. Over the years, the MTB has helped U.S. manufacturers such as Evonik, maintain their competitive edge by providing temporary relief from select tariffs on products not available or manufactured in the United States. The tariff savings for Evonik from the MTB in 2018 would be an estimated \$3.8 million, and over \$10.0 million over the three-year term of the bill. These savings would not only allow us to maintain our workforce, but also to continue to grow our manufacturing capability in the United States.

We applauded Congress' bipartisan efforts last year to pass the "American Manufacturing Competitiveness Act of 2016" which created a new process for the consideration of the MTB. We now urge Congress to move toward quick passage this year of the entire MTB package as recommended by the ITC.

I appreciate the opportunity to provide input to the Committee and look forward to working with Congress as it considers the Miscellaneous Tariff Bill. I would be pleased to answer any questions you may have for me or to provide additional information to the Committee.

Thank you.

John Shelton
International Trade Compliance Manager, North America
Evonik Corporation

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THE MTB CARPET GROUP

October 25, 2017

The Honorable Dave Reichert
Chairman, Trade Subcommittee
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman, Ranking Member Pascrell and Committee Members:

The "MTB Carpet Group," an ad hoc group of U.S. importers, wholesalers and retailers of handmade carpets (area rugs), greatly appreciates the decision of the Trade Subcommittee to convene a hearing on the Miscellaneous Tariff Bill.

The MTB Group is thankful to the Congress for enacting the American Manufacturing Competitiveness Act (AMCA) of 2016, which created the new MTB process. The MTB Group participated actively in that new administrative process and now awaits Congressional enactment of a new Miscellaneous Tariff Bill this year. Enactment in 2017 will ensure that our imports of hand-tufted wool rugs, a traditional handicraft product, can benefit from a lower duty rate starting in January 2018, as contemplated by the AMCA.

We are very gratified that the process Congress created for identifying which products should be subject to reduced duties or no duties resulted in a recommendation from the U.S. International Trade Commission to temporarily reduce the import duties on hand-tufted wool rugs (HTSUS 5703.1020). These hand-made carpets are unique items that are not made in the United States. However, the importation, distribution and sales of these carpets creates and maintains many jobs, providing livelihoods for Americans across the country, from the East Coast to the West Coast and from states in the North to states in the South of the country. While the duty reduction for hand-tufted wool rugs is small, from 6% ad valorem to 5.8% ad valorem, that duty savings is very important to our business, which continues to recover from the Great Recession. The duty-savings strengthen our competitiveness. We expect to be able to pass the duty savings on to our customers, for whom these hand-tufted oriental rugs are a discretionary purchase.

We also would like to take this opportunity to recommend to the Subcommittee that it provide some direction to the responsible agencies to improve the next round of the MTB process. The first round of this process was an important learning experience for the U.S. International Trade Commission (Commission) and U.S. Customs & Border Protection (CBP), just as it was a learning process for the members of the MTB Carpet Group.

It was the express objective of Congress to create and maintain "an open and transparent process for consideration of petitions for duty suspensions and reductions," including a "fully vetted" process. The MTB Carpet Group therefore recommends that the Congress advise the Commission and CBP that, in future rounds, they should include an opportunity for petitioners to meet with Commission and/or CBP staff to discuss how proposed tariff provisions could be made administrable through more accurate drafting. During the first round, two MTB provisions requested by the MTB Carpet Group were placed in "Category VI" because "the Commission determined the article description could not be administered," based upon advice from CBP. The MTB Group had developed some suggested revisions

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to the proposed tariff language and sought to meet, or talk by telephone, with CBP staff to discuss how the provision could be revised to address CBP concerns. However, the MTB Carpet Group was advised by Commission staff that there was no process in place for such direct contacts between petitioners and responsible agency staff and therefore no discussion was scheduled.

The MTB Carpet Group fully recognizes the burden on the agencies, especially given the number of petitions filed. Yet, discussions between the Commission or CBP and a petitioner is a step that could take place after the Commission has released its preliminary report and identified those petitions for which administrability is an issue. Due to the vetting process, the number of products for which administrability is the only issue precluding inclusion on the list of recommended provisions is a limited universe. If there is a possibility that CBP's concerns could be resolved through better drafting of technical tariff language and a better understanding of the product, it serves the goals of the AMCA for such contacts – conversations -- to be strongly encouraged and facilitated.

* * *

Again, the MTB Carpet Group thanks the Trade Subcommittee for holding this hearing and drawing attention to the need for prompt enactment of an MTB. Our companies and our employees look forward to the duty reduction for hand-tufted wool carpets and to the benefits that will provide to our customers and to the U.S. economy.

Respectfully submitted,

Momeni Inc.
Carlstadt, New Jersey

Kaleen Rugs, Inc.
Dalton, Georgia

Nourison
Saddle Brook, New Jersey

Safavieh
Port Washington, New York

Feizy Import & Export Co.
Dallas, Texas

L.R. Resources, Inc.
Dalton, Georgia

Loloi Rugs
Dallas, Texas

Kas Oriental Rugs, Inc.
Somerset, New Jersey

Surya
White, Georgia

Oriental Rug Importers Association
Tenafly, New Jersey

*For additional information, contact:
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